



## Corporate information

### Headquarters

**Clemex Technologies Inc.**  
800 Guimond, Longueuil, Quebec  
J4G 1T5 Canada  
Telephone: (450) 651-6573  
Fax: (450) 651-9304  
info@clemex.com  
www.clemex.com

### Subsidiary

**Clemex Corp**  
17195 Silver Parkway, suite 409,  
Fenton, MI  
48430-3426 USA

### Transfer Agent

CIBC Mellon Trust  
Montreal, QC

### Auditors

KPMG LLP  
Chartered Accountants  
Montreal, Quebec

### Solicitors

Pouliot, Mercure  
Montreal, Quebec

### Bankers

National Bank of Canada  
Montreal, Quebec

### Trading Symbol

Clemex Technologies Inc.  
is listed on The Canadian Venture  
Exchange (CDNX)  
under the symbol CXGA

### Authorized Number of Class A Shares

unlimited

### Issued Class A Shares

18,543,560

### Board of Directors

*Clément Forget*  
Chairman, President and CEO  
Clemex Technologies Inc.

*Normand Labonté*  
Vice-President, International Sales  
Clemex Technologies Inc.

*Sylvain Laroche*  
Vice-President, R&D  
Clemex Technologies Inc.

*Renaud Caron*  
Senior Vice-President  
Business Engineering  
CGI Group, Inc.

*Frank Meunier*  
Investment Consultant  
Innovatech du Grand Montréal

*Me Lisane Dostie*  
Director, Corporate Affairs  
and Secretary  
Labopharm Inc.

*Yvan Landry*  
Portfolio Manager  
FSTQ

*Dr. Jean-Marie Leclerc*  
VP, Medical Affairs  
Novartis Pharma Canada Inc.

### Officers

*Clément Forget*  
President, Chairman and CEO  
Clemex Technologies Inc.

*Normand Labonté*  
Vice-President, International Sales  
Clemex Technologies Inc.

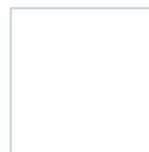
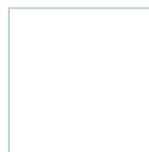
*Sylvain Laroche*  
Vice-President, R&D  
Clemex Technologies Inc.

# CLEMEX

the image **analysis** people

Quarterly Report

**2003**



## Message to Shareholders

This past quarter can be characterized as a time of transition. Revenues for the quarter increased from \$ 1.4 million to \$ 1.5 million when compared with the same period of last year. A net loss of \$ 337,760 versus a net profit of \$ 103,182 was posted for the quarter.

Reflecting on the organization's revenue structure, the Company did show signs of improvement on several fronts. When compared with the third quarter of 2002, distributor revenues increased 82%; sales in the United States increased 49%, while Canadian and OEM revenues remained stagnant. Sales derived from metallographic products was the main reason for the organization's underperformance this past quarter.

The shortfall in the net earnings can be attributed to three primary factors: a longer than anticipated ramp-up phase for the ATM metallographic equipment; a decrease in gross margin; and an increase in sales and marketing expenses.

Nevertheless, management strongly believes that this setback is only temporary in nature. Having signed very recently the distribution agreement for North America of ATM metallographic equipment, time is required to build a certain level of confidence in the marketplace. Although we came short of attaining our ambitious revenue goals, our sales team was successful in generating significant interest in ATM products, which we believe should materialize in additional revenues in the near term.

As for our gross margin, we needed to be competitive with the introduction of our metallurgical equipment and supplies product line. As a result, we made a strategic decision to implement an aggressive price structure with the goal of increasing our market share while accepting a reduced margin for an introduction period.

On the expenses side of the business, we did incur additional sales and marketing costs when compared with the same quarter of last year. An investment required for the future development of our organization, the ratio of expenses to revenues should fall in line within the short to mid term as we expand our reach in the US market.

We are confident that with our superior technology backed by the dedication of our team, we will be able to face head on the challenges that lie ahead.



Clément Forget  
President, CEO & Chairman

## Notes to Consolidated Financial Statements

For period of three months ended January 31st (unaudited)

### 1. Basis of presentation

These consolidated financial statements have been prepared in conformity with Canadian generally accepted principles. The same accounting policies as described in the latest annual report have been used, with exception of the change in accounting policy described in note 2a). However, these consolidated financial statements do not include all disclosures required under generally accepted accounting principles and accordingly should be read in connection with the consolidated financial statements and the notes thereto included in the Corporation's latest Annual report.

### 2. Accounting policies

#### a) Change in accounting policy

##### *Stock-based compensation*

Effective May 1, 2002, the Company adopted the new recommendations published by the Canadian Institute of Chartered Accountants (CICA) relating to stock-based compensation. As permitted, the Company has applied this change prospectively for new awards granted on or after May 1, 2002. The Company has chosen to recognize no compensation when stock options are granted to employees and directors under stock option plans with no cash settlement features. However, direct awards of stock to employees, stock and stock option awards granted to non-employees will be accounted for in accordance with the fair value method of accounting for stock-based compensation.

### 3. Stock option plan

#### *Diluted Earnings per Share*

As at January 31, 2003, 1,618,148 options granted to acquire common shares of the Corporation at prices ranging from \$0.16 to \$0.60 were outstanding. During the period ending January 31, 2003, 200,000 options were granted.

### 4. Comparative figures

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in the current period.

## Consolidated Balance Sheets

January 31, 2003 with comparative figures for April 30, 2002

	January 31 <sup>st</sup> 2003	April 30 <sup>th</sup> 2002
	(unaudited)	(audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 118,431	\$ 13,295
Accounts receivable	987,345	1,184,190
Research & development tax credits receivable	397,318	142,816
Inventories	960,797	865,616
Prepaid expenses	104,284	30,597
	<b>2,568,175</b>	<b>2,236,514</b>
Capital assets	<b>864,055</b>	412,557
Intangible assets	<b>4,660</b>	7,585
Future income taxes	<b>355,601</b>	355,601
	<b>\$ 3,792,491</b>	<b>\$ 3,012,257</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank indebtedness	\$ 872,417	\$ 41,926
Accounts payable and accrued liabilities	919,473	710,826
Current portion of long-term debt	33,173	-
Deferred revenue	249,713	280,406
	<b>2,074,776</b>	<b>1,033,158</b>
Long-term debt	<b>456,568</b>	163,383
Shareholders' equity:		
Share capital	4,186,358	4,186,358
Deficit	(2,925,211)	(2,370,642)
	<b>1,261,147</b>	<b>1,815,716</b>
	<b>\$ 3,792,491</b>	<b>\$ 3,012,257</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Operations

For period of three months ended January 31st 200 (unaudited)

	third quarter		nine months	
	2003	2002	2003	2002
Sales	\$ 1,515,740	\$ 1,398,452	\$ 4,291,451	\$ 4,555,027
Cost of sales	786,601	623,527	2,132,418	1,936,851
Gross Profit	729,139	774,925	2,159,033	2,618,176
Expenses:				
Commercial	620,405	402,779	1,574,824	1,130,817
Administrative	214,401	162,746	590,744	501,240
Research and development, net of tax credits	128,870	45,968	329,797	340,298
Depreciation	70,911	37,616	146,479	119,758
Financial	32,312	22,634	71,758	83,999
	<b>1,066,899</b>	<b>671,743</b>	<b>2,713,602</b>	<b>2,176,112</b>
Net earnings (net loss)	(337,760)	103,182	(554,569)	442,064
Deficit, beginning of year	(2,587,451)	(2,537,588)	(2,370,642)	(2,876,470)
Deficit, end of year	\$ (2,925,211)	\$ (2,434,406)	\$ (2,925,211)	\$(2,434,406)
Net earnings (loss) per share:				
Basic	\$ (0.02)	\$ 0.01	\$ (0.03)	\$ 0.02
Diluted	(0.02)	0.01	(0.03)	0.02
Weighted average number of shares outstanding	18,543,560	18,543,560	18,543,560	18,543,560
Dilutive effect of stock options	-	(1)	-	(1)
Diluted weighted average number of shares	<b>18,543,560</b>	<b>18,543,560</b>	<b>18,543,560</b>	<b>18,543,560</b>

See accompanying notes to consolidated financial statements.

(1) The options were antidilutive for the current period and options for the comparable period were not "in the money".

## Consolidated Cash Flow

For period of three months ended January 31st 2003 (unaudited)

	third quarter		nine months	
	2003	2002	2003	2002
<b>Cash flow from operating activities:</b>				
Net earnings (net loss)	\$ (337,760)	\$ 103,182	\$ (554,569)	\$ 442,064
Adjustments for:				
Depreciation	70,911	37,616	146,479	119,758
Gain on disposal of capital assets	-	(71)	3,301	(3,794)
	<b>(226,849)</b>	140,727	<b>(404,789)</b>	558,028
Net change in non-cash operating assets and liabilities	<b>318,502</b>	(37,589)	<b>15,295</b>	(453,178)
Cash flow (used) provided by operating activities	<b>51,653</b>	103,138	<b>(389,494)</b>	104,850
<b>Cash flow from financing activities:</b>				
Net change in bank indebtedness	(153,007)	(70,604)	830,491	(1,068)
Issuance of long-term debt	320,648	-	700,780	-
Reimbursement of principal of long-term debt	(39,066)	(34,845)	(438,288)	(112,416)
Cash flow provided (used) by financing activities	<b>128,575</b>	(105,449)	<b>1,092,983</b>	(113,484)
<b>Cash flow from investing activities:</b>				
Purchase of capital assets	(126,923)	(4,936)	(618,285)	(89,584)
Proceeds from disposal of capital assets	10,812	7,609	19,932	78,157
Cash flow used by investing activities	<b>(116,111)</b>	2,673	<b>(598,353)</b>	(11,427)
Net decrease in cash and cash equivalents	<b>64,117</b>	362	<b>105,136</b>	(20,061)
Cash and cash equivalents, beginning of year	<b>54,314</b>	7,262	<b>13,295</b>	27,685
Cash and cash equivalents, end of year	<b>\$ 118,431</b>	\$ 7,624	<b>\$ 118,431</b>	\$ 7,624

See accompanying notes to consolidated financial statements.

## Management Discussion and Analysis

Clemex Technologies, Inc. ("Clemex" or "Company") develops, manufactures and markets image analysis systems and software used by quality control and research microscopy laboratories. The Company is also involved in the distribution of equipment and consumables for the specimen preparation of solid metals and materials. It is the primary representative in Canada, the US, and Mexico for the ATM product line. Clemex's customer base spans the globe and encompasses large manufacturing concerns in numerous industries including automotive, aerospace, raw materials manufacturing, pharmaceuticals, mining and other sectors.

- The continued expansion of the pharmaceutical market, landing sales to Aventis Pharmaceuticals and Wyeth-Ayerst.
- Was awarded "Imaging Solution of the Year" by Advanced Imaging Magazine for its robotic imaging system - the Clemex MaestroScope.
- Secured additional upgrades to the Company's existing customer base.

### Discussion of Operations and Financial Condition

During the third quarter ended January 31st, 2003, the Company generated sales of \$1.5 million versus \$1.4 million for the same period of last year. Gross margin declined by 7% brought on by a greater percentage of revenues derived from hardware sales versus software applications.

An increase in sales and marketing expenses of 54%, and administrative expenses of 32%, when compared with the third quarter of 2002 was the result of the Company's added investment in personnel required to expand its distribution reach in the United States. Management believes that the ratio of expenses to revenues should fall in line within the short to mid term as the Company emerges from its longer than anticipated expansionary ramp-up phase.

On the research and development side of the business, expenses rose from \$ 45,969 in the third quarter of 2002 to \$ 128,870. This apparent change is the result of a reallocation of research and development expenditures that took place in the third quarter of last year.

As for the bottom line, a net loss of \$ \$ 337,761 versus a net profit of \$ 103,167 was posted for the quarter. Over a nine-month reporting period ending January 31st, 2003, the Company's accumulated net loss reached \$ 554,569.

### Subsequent Events

No significant events occurred after the period ended January 31st, 2003.

### Financings, Principal Purposes and Milestones

No significant events occurred during the fiscal third quarter 2003.

#### Liquidity and Solvency

As at January 31st, 2003, the Company had a working capital position of \$ 493,399. With the Company's current financing structure, management expects to have sufficient working capital to meet its current and ongoing obligations as they come due. The current and quick ratio stood at 1.24:1 and 0.72:1 respectively.

#### Liquidity and Solvency

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